

Message Text

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ACTION SP-02

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 ISO-00
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INR-07 NSAE-00 INRE-00 /097 W
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O R 021645Z SEP 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 6923
INFO AMEMBASSY BRASILIA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LAGOS
AMEMBASSY LA PAZ
AMEMBASSY MEXICO
AMEMBASSY MOSCOW POUCH
AMEMBASSY NEW DELHI
AMEMBASSY OUGADOUGOU
AMEMBASSY PARIS
AMEMBASSY TEHERAN
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 ROME 14343

USOECD

E.O. 11652: GDS
TAGS: EGEN, ECIN, IT
SUBJECT: NORTH-SOUTH STRATEGIES

REF: STATE 191928

1. EMBASSY WELCOMES OPPORTUNITY TO PROVIDE ITS VIEWS AS
CONTRIBUTION TO STUDY ON IMPORTANT ISSUES AFFECTING OUR
NORTH-SOUTH RELATIONS. WHILE DEPARTMENT HAS INVITED
EMBASSY TO COMMENT WITH AN AREA PERSPECTIVE, THERE ARE
VARIOUS CHOICES OF "AREA" TO WHICH TO ASSIGN ITALY:
MAJOR EUROPEAN INDUSTRIALIZED DEMOCRACIES, EUROPEAN
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COMMUNITY, EUROPEAN DEMOCRATIC "SOUTHERN TIER" COUNTRIES
AND MEDITERRANEAN AREA. DESPITE DIVERSITY OF ECONOMIC,
POLITICAL AND SOCIAL SYSTEMS , THE STATES OF THE
MEDITERRANEAN LITTORAL CAN BE VIEWED GEOGRAPHICALLY
AS SHARING SOME MUTUAL INTERESTS. IN THE MEDITERRANEAN
AREA ITALY IS CERTAINLY THE MOST HIGHLY DEVELOPED
COUNTRY AND ACCORDINGLY HAS THE POTENTIAL TO WIELD

CONSIDERABLE INFLUENCE AMONG ITS NEIGHBORS--AND IN SOME CASES DOES INDEED WIELD SUCH INFLUENCE. EVEN WHERE ITS INFLUENCE IS MARGINAL ITALY HAS OPEN CHANNELS OF COMMUNICATION WITH EVERY COUNTRY OF THE MEDITERRANEAN. THIS INFLUENCE IS OBVIOUSLY ALSO A FUNCTION OF SUCH FACTORS AS HISTORICAL TIES, POLITICAL/DEFENSE TIES, AND COMMERCIAL INTERESTS. WHATEVER THE REASON OR REASONS, ITALY HAS DEVELOPED CLOSE RELATIONS--LARGELY COMMERCIAL WITH SEVERAL OF THE MORE RADICAL NEARBY AND NOT SO NEARBY LDC'S, E.G. LIBYA, HORN OF AFRICA AND EX-PORTUGUESE COLONIES. IN ADDITION, IT SHOULD BE REMEMBERED THAT ITALY HAS CONSIDERABLE INFLUENCE IN PARTS OF LATIN AMERICA, PARTICULARLY THOSE COUNTRIES WITH HEAVY ITALIAN IMMIGRATION.

2. THIS LEADS TO FIRST OF THREE ISSUES RAISED IN REFTTEL, E.E. IDEAS FOR EFFECTING MORE CONSTRUCTIVE ROLE ON PART OF EMERGING LDC'S IN MULTILATERAL AND GLOBAL INSTITUTIONS. QUESTION RAISED IS HOW WE CAN PERSUADE MORE ECONOMICALLY (AND OTHERWISE) ADVANCED LDC'S TO OVERCOME PRESSURES OF G-77 CONSENSUS AND ADOPT POSITIONS CLOSER TO THOSE OF DEVELOPED COUNTRIES (WHICH WE ALSO BELIEVE TO BE CLOSER TO THEIR OWN INTERESTS). WE WOULD NOT CLASSIFY ANY LDC'S IN MEDITERRANEAN AMONG LEADING "EMERGING"--ALGERIA AND LIBYA ARE RESOURCE-RICH BUT CERTAINLY NOT IN THE SAME CATEGORY ECONOMICALLY AS, SAY, IRAN AND KOREA, AND IN ANY CASE ARE AMONG LEAST LIKELY

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CANDIDATES TO LEAVE G-77 CONSENSUS. IT IS DIFFICULT TO SEE THEM PLAYING A CONSTRUCTIVE ROLE IN THE EFFORT.

3. HOWEVER, ITALIAN INFLUENCE WITH SOME LDC'S, DESCRIBED ABOVE, OFFERS POTENTIAL FOR PARTICIPATION IN EFFORT TO WEAN LDC'S AWAY FROM OUTMODED (FOR THEM) ATTITUDES. UNFORTUNATELY, INCENTIVE FOR ITALY TO PLAY SUCH ROLE IS FAR OUTWEIGHED BY PERCEIVED ITALIAN INTEREST OF SERVING AS "BRIDGE" BETWEEN DC'S AND LDC'S AND RESULTANT COMMERCIAL ADVANTAGES. ITALY DOES INDEED SERVE AS "BRIDGE" TO CERTAIN EXTENT, BUT ITALY VIEWS THIS IN BASICALLY NEUTRAL TERMS OF "EXPLAINING" EACH SIDE TO THE OTHER. HOWEVER, ITALY'S OIL DEPENDENCY PLACES IT IN A VULNERABLE POSITION VIS-A-VIS SUCH LDC'S AS ALGERIA AND LIBYA. CERTAINLY ITALY HAS CONSISTENTLY AVOIDED TAKING STRONG POSITIONS AND/OR LEADING EFFORTS TO BRING ABOUT CHANGES IN LDC ATTITUDES, AND IT UNDOUBTEDLY BELIEVES IT MUST MAINTAIN THIS STANCE IN ORDER NOT TO JEOPARDIZE ITS COMMERCIAL AND POLITICAL RELATIONS WITH THE LDC'S.

4. FOREGOING MAY, HOWEVER, PAINT UNDULY PESSIMISTIC

PICTURE. ITALY'S PROCLIVITY TO ENTER INTO RELATIVELY CLOSE RELATIONSHIPS WITH LDC'S FROM WHICH OTHER DEVELOPED WESTERN COUNTRIES HAVE KEPT A DISTANCE MIGHT PROVIDE OPPORTUNITIES WHERE ITALY WOULD SEE SELF-INTEREST IN TRYING TO INVOLVE SUCH LDC'S CONSTRUCTIVELY IN MULTILATERAL AND GLOBAL INSTITUTIONS. WHILE ITALY LENDS A CERTAIN "RESPECTABILITY" TO REGIMES SUCH AS THOSE NOW IN POWER IN ANGOLA, MOZAMBIQUE AND LIBYA, IN THE FORM OF ITS COMMERCIAL AND ASSISTANCE ARRANGEMENTS WITH THEM, ITALY ALSO RECOGNIZES IT INCREASES ITS OWN PRESTIGE VIS-A-VIS OTHER WESTERN COUNTRIES BY OFFERING TO INTERPRET THE SITUATION IN THE LDC'S TO WESTER COUNTRIES AND VICE VERSA AND OTHERWISE ACT AS A GO-BETWEEN FOR THEM. IN
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ADDITION, AMONG SOME OF THE MORE HIGHLY DEVELOPED LDC'S IN LATIN AMERICA, ITALY HAS AT LEAST THE POTENTIAL, THROUGH ITS EXTENSIVE BUSINESS RELATIONS AND HISTORICAL TIES, TO SERVE AS A BRIDGE IN THE NORTH-SOUTH DIALOGUE.

5. MOVING TO MORE SPECIFIC ISSUES, WE HAVE AN IMPORTANT INTEREST IN INCLUDING OIL-EXPORTING LDC'S IN DISCUSSIONS AND STUDIES ON ENERGY AVAILABILITIES, NEEDS AND MARKET OPERATIONS. AS AN ENERGY-POOR AND OIL-POOR COUNTRY, ITALY HAS A VITAL INTEREST IN ACCESS TO OIL SUPPLIES, OIL PRICES, AND EXPORT MARKETS IN OIL-PRODUCING COUNTRIES. ITALY WOULD CERTAINLY LIKE TO PLAY ANY ROLE THAT WOULD IMPROVE ITS RELATIONS WITH THESE COUNTRIES. THE QUESTION IS WHETHER WE CAN MAKE IT ATTRACTIVE ENOUGH TO THESE LDC'S TO PARTICIPATE IN THE DISCUSSIONS AND ACTIVITIES WE WANT. IF WE CAN DO SO, ITALY PROBABLY WOULD SUPPORT SUCH AN EFFORT. IF WE DO NOT OFFER ENOUGH, ITALY'S ENERGY INSECURITY WILL NOT ALLOW IT TO RISK ITS TRADE RELATIONS WITH OIL EXPORTERS BY SUPPORTING SOMETHING THEY ARE AGAINST.

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AID-05 SS-15 SSO-00 EB-08 OES-07 TRSE-00 CIAE-00
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O R 021645Z SEP 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 6924
INFO AMEMBASSY BRASILIA
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6. ONE POSSIBLE WAY TO MAKE AN ENERGY DIALOGUE ATTRACTIVE WOULD BE TO MERGE DISCUSSIONS ON NUCLEAR ENERGY, INCLUDING FAST-BREEDER REACTORS AND A POSSIBLE INTERNATIONAL NUCLEAR FUEL BANK, WITH DISCUSSION ON OTHER ENERGY SOURCES, INCLUDING OIL, AND RENEWABLE ENERGY SOURCES SUCH AS BIOCONVERSION, SOLAR AND WIND, THAT MAY BE PARTICULARLY APPROPRIATE FOR LDC'S, AS WAS PROPOSED BY PRESIDENT CARTER DURING ELECTION CAMPAIGN IN UN SPEECH OF MAY 13, 1976. WE MAY BE ABLE TO HOLD OUT A PROMISE OF COOPERATION IN THE FIELDS OF NUCLEAR TECHNOLOGY AND NUCLEAR FUEL SUPPLIES, ALONG WITH IMPROVED SAFEGUARD SYSTEMS, IN EXCHANGE FOR IMPROVED COOPERATION ON OIL PRICING AND SUPPLY. ITALY, WHICH IS ALREADY AN IMPORTANT SUPPLIER OF INFRASTRUCTURE
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GOODS AND SERVICES, HAS HOPES OF BECOMING AN IMPORTANT SUPPLIER OF NUCLEAR TECHNOLOGY AND PLANT COMPONENTS. THUS, IT COULD BE EXPECTED TO ACTIVELY SUPPORT A FORMULA ALONG SUCH LINES.

7. WITH RESPECT TO ROLE OF LDC'S IN IMF/IBRD, EMBASSY ASSUMES THAT CREATION OF INTERIM COMMITTEE AND DEVELOPMENT COMMITTEE ALREADY ADEQUATELY BRINGS THESE COUNTRIES INTO TOP POLICY LEVEL MANAGEMENT IN THOSE ORGANIZATIONS. WHILE ITALY SYMPATHIZES WITH EXPANDING PARTICIPATION OF LDC'S IN IFI'S, IT MIGHT WELL RESIST ANY FURTHER EXPANSION WHICH REDUCED ITALIAN VOTING WEIGHT, PARTICULARLY IF THESE WERE TO

JEOPARDIZE ITALIAN SEATS ON BOARDS OF EXECUTIVE DIRECTORS. ON OTHER HAND, ITALY HAS CERTAIN COMMON INTERESTS WITH SOME OF MORE DEVELOPED LDC'S WHICH MIGHT BE EXPLOITED IN SUCH FIELDS AS BALANCE OF PAYMENTS ADJUSTMENT, DEBT RESCHEDULING AND MULTILATERAL TRADE NEGOTIATIONS. FOR EXAMPLE, FACT THAT LARGE INDUSTRIAL COUNTRIES SUCH AS ITALY AND U.K. HAVE ACCEPTED FAIRLY STRINGENT LOAN CONDITIONS FROM IMF AND OTHER INTERNATIONAL LENDERS MIGHT BE USED TO PERSUADE OTHER COUNTRIES SUCH AS BRAZIL, MEXICO, PORTUGAL AND SPAIN TO ACCEPT SUCH CONDITIONS MORE READILY, WHILE DEFUSING INTERNAL POLITICAL CRITICISM WHICH LDC GOVERNMENTS ARE SOMETIMES SUBJECTED TO WHEN FACED WITH NEED TO INTRODUCE AUSTERITY MEASURES. IN DEBT AREA, ITALY HAS BEEN EXTREMELY CAREFUL SINCE 1974 TO REBUILD ITS FOREIGN CREDITWORTHINESS IMAGE TO INSURE THAT IT CAN ONCE AGAIN RETURN TO PRIVATE INTERNATIONAL CAPITAL MARKETS. ITALY'S EXPERIENCE MIGHT BE CITED WITH EMERGINHG LDC'S TO DEMONSTRATE THAT G-77 EFFORTS TO OBTAIN ACROSS-THE-BOARD DEBT RESCHEDULING IS NOT THE CONFIDENTIAL

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BEST APPROACH, SINCE IT COULD DAMAGE CREDITWORTHINESS OF SOME IMPORTANT LDC'S. FINALLY, EXPERIENCE WHICH ITALY SHARES WITH SOME OF RELATIVELY DEVELOPED COUNTRIES IN ENCOUNTERING SPECIFIC TRADE PROBLEMS, SUCH AS CASE OF SHOE EXPORTS TO THE US, MIGHT BE USED TO DEMONSTRATE TO THOSE COUNTRIES IMPORTANCE IN MTN OF REVISING RULES ON SUCH MATTERS AS SUBSIDIES, COUNTERVAILING DUTIES AND ANTI-DUMPING.

8. TURNING TO QUESTIONS RAISED PARA 4 REFTTEL ON FOCUSING OUR BILATERAL AID ON MEETING BASIC HUMAN NEEDS, IT NEEDS TO BE REMEMBERED THAT ITALY'S BILATERAL AID PROGRAM IS IN FACT LITTLE MORE THAN EXPORT CREDITS AND ITS CONTRIBUTION TO EC-WIDE EFFORTS IS MINOR. HOWEVER, WE BELIEVE ITALIANS IN GENERAL WOULD APPROVE FURTHER FOCUS OF U.S. BILATERAL AID PROGRAMS ON MEETING BASIC HUMAN NEEDS AS REFLECTING GREATER CONCERN WITH ALLEVIATION OF POVERTY AND MORE EQUITABLE INCOME DISTRIBUTION.

9. U.S. INVITATION TO COMMUNIST COUNTRIES TO PARTICIPATE IN MULTILATERAL AID EFFORTS WOULD ON BALANCE BE VIEWED WITH FAVOR IN ITALY AS FURTHER INDICATION OF U.S. INTENTION TO DEAL CONSTRUCTIVELY AND ON A OBJECTIVE NON-PARTISAN BASIS WITH GLOBAL PROBLEMS. OBVIOUSLY, NATURE OF COMMUNIST ECONOMIC SYSTEM WOULD MAKE FULL PARTICIPATION OF USSR IN INTERNATIONAL FINANCIAL INSTITUTIONS AND GATT DIFFICULT, TO SAY THE LEAST.

NEVERTHELESS, WE SHOULD EXPLORE POSSIBILITY OF HAVING
COMMUNIST COUNTRIES ASSOCIATED WITH WORK OF THESE INSTITUTIONS,
E.G., SOVIET PARTICIPATION IN AID CONSORTIA ORGANIZED
BY WORLD BANK FOR COUNTRIES SUCH AS INDIA.
THE GREATEST SCOPE FOR COOPERATIVE ENDEAVORS WOULD
APPEAR TO LIE IN COMMODITY AND POSSIBLY LDC EXPORT
STABILIZATION (STABEX) AGREEMENTS. WE BELIEVE ITALY
WOULD SUPPORT INCLUSION OF COMMUNIST COUNTRIES IN MOST
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SUCH AGREEMENTS. POTENTIAL ADVANTAGES WOULD BE FAR
BETTER SMOOTHING OF COMMODITY PRICE AND OTHER MARKET
ADJUSTMENTS WITH LESS DANGER THAT IDEOLOGICAL OR
POLITICAL CONSIDERATIONS WOULD INTRUDE (ESPECIALLY WHERE
COMMODITIES THAT COMMUNIST COUNTRIES MUST IMPORT ARE
CONCERNED).

10. FINAL CONSIDERATION IS WHAT MIGHT BE REACTION OF
LDC'S TO PROPOSED JOINT US-SOVIET DEVELOPMENT
PROGRAMS . WE FIND THAT DIFFICULT TO ANSWER IN THE
ABSTRACT. IF CHOICE WERE SAME AMOUNT OF AID BUT
GIVEN SEPARATELY, RECIPIENTS WOULD UNDOUBTEDLY
PREFER LATTER BECAUSE IT WOULD BE EASIER TO DEAL
WITH (AND HANDLE) DONORS SEPARATELY, LESS LIKELY
TO BE CAUGHT IN THE MIDDLE OF DISPUTES, ETC.
HOWEVER, ADDITIONAL AID IN THIS FORM MIGHT PROVE
ATTRACTIVE, PARTICULARLY IN THOSE COUNTRIES WHERE
EITHER U.S. OR USSR NOT WELL VIEWED AND WHERE
THERE MIGHT BE POLITICAL PROBLEMS IN ACCEPTING AID
DIRECTLY FROM ONE OR THE OTHER.GARDNER

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Message Attributes

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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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